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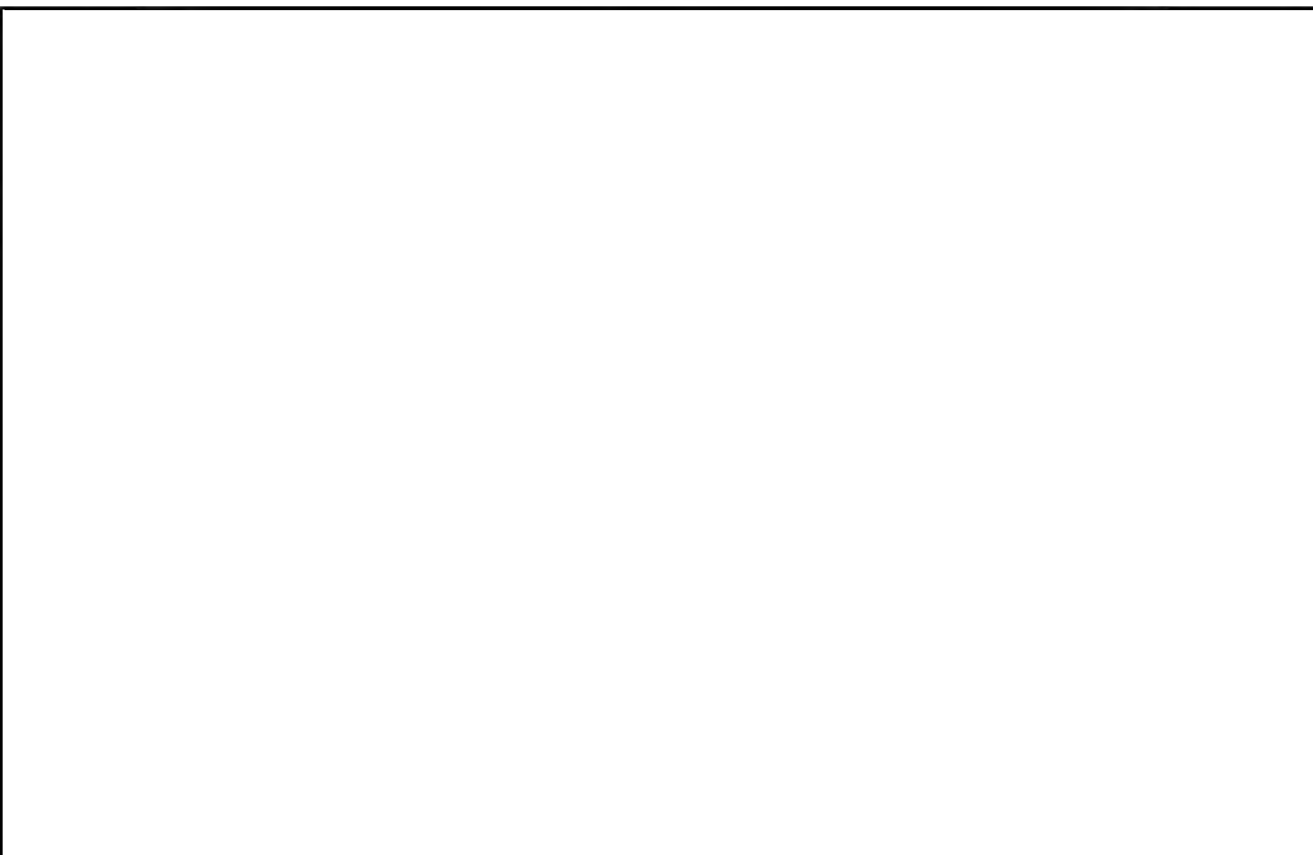
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SOUTHEAST ASIA

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2. Indonesian Foreign Minister claims to have blocked rubber shipment to Communist China:

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The Indonesian Foreign Minister asserted that he has been successful in preventing the shipment of Indonesian rubber to Communist China. He said the government could take over the 3,000 tons of rubber which shippers had bought in anticipation of an agreement with China and would make reimbursements for arrangements made to transport the rubber on a Polish vessel.

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Comment: The plan to ship rubber from Indonesia to Communist China may have failed as a result of a disagreement over terms of trade rather than any sincere reluctance to circumvent the UN-sponsored embargo on rubber to China. Indonesian Government officials undoubtedly will continue to press for rubber sales to China.

NEAR EAST - AFRICA

3. American position in Saudi Arabia deteriorating:

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The Saudi Arabian Government has become critical of what it regards as an "ungenerous, almost unfriendly" attitude of the United States. In recent conversations with the American Ambassador, Crown Prince Saud and other top officials have maintained that the United States has placed their country in an "exposed position" through the signing of the Dhahran airfield agreement. They feel that now the United States has little interest in living up to the military assistance aspects of the agreement.

Although the immediate complaint is against the American insistence that the Saudi Arabian Government pay the costs of military trainees in the United States, Ambassador Hare believes that this is merely the focal point for general dissatisfaction with the United States.

Comment: American relations with Saudi Arabia have in the past been generally good. Just recently, however, Saudi officials indicated a belief that, because of American suggestions that the Buraimi dispute be submitted to arbitration, the United States had "joined the British." American diplomatic reports emphasize that Saudi Arabia is also irritated over recent American support of Israel in the United Nations and the small amount of assistance given Saudi Arabia compared to that given Israel.

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4. British Ambassador urges early Anglo-Egyptian defense negotiations:

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[REDACTED] The anticipated initialing of an Anglo-Egyptian agreement on the Sudan on 12 February has prompted the British Ambassador in Cairo to urge the early issuance of a British statement on evacuation of the Suez Canal zone and the immediate start of negotiations on the future of the Suez base and the proposed Middle East Defense Organization.

The British Embassy plans to urge the Foreign Office to consider releasing the remaining 45 jets of the Egyptian order as soon as the defense talks begin. In the Embassy's view, the ability to furnish arms and economic aid represents the only Anglo-American bargaining point with the Egyptians.

Comment: Egyptian officials have stated repeatedly that they will not consider joining MEDO until the British have evacuated the Suez Canal zone, which according to present British plans would take approximately 18 months.

5. Egyptian Foreign Minister expresses interest in Israeli settlement:

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[REDACTED] Egyptian Foreign Minister Fawzi has asked Dr. Ralph Bunche to inform Israeli Foreign Minister Sharett of Egypt's willingness to consider an eventual settlement with Israel, according to Ambassador Caffery. Such an agreement, Fawzi stated, should involve the resettlement of Arab refugees as well as some adjustment of the frontier between Egypt and Israel.

Caffery also reports that Sharett, following consultations with Tel Aviv officials, informed Bunche that Israel warmly welcomed the Egyptian approach.

Comment: This is the clearest indication to date that Egypt may be seriously contemplating an eventual settlement with Israel.

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Fawzi has previously talked in a similar vein to Ambassador Caffery. There is doubt, however, of how far his views represent those of General Nagib, who is reported to have avoided any mention of the Palestine problem in his discussions with Bunche.

6. King's long absence threatens Libyan unity:

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American Minister Villard in Tripoli believes that the long absence of King Idris from Libya is a matter of serious political concern. Idris has recently indicated that he will not return from Egypt before mid-March.

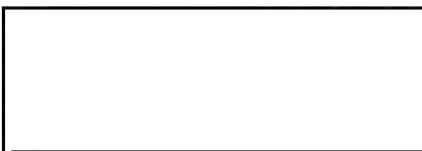
Villard considers that the King's extended absence at this critical period and his apparent preference for Egypt may result in a voluntary or forced abdication, which might lead to a breakup of united Libya.

Comment: There is other evidence of increased Libyan dissatisfaction over Idris' absence since early December, particularly his failure to return for the first anniversary of Libyan independence on 24 December.

The King's absence removes an important symbol of unity and possible leadership at a time when Libyan federation is experiencing difficulties. Since there is no generally acceptable heir, Idris' abdication would further undermine the unity of the three Libyan provinces.

7. Turkish Foreign Minister favors base agreement with United States:

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Turkish Foreign Minister Koprulu believes that a secret American-Turkish agreement permitting the United States to use Turkish

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bases for defense preparations is the logical consequence of Turkey's membership in NATO. During a conversation on 7 February with Ambassador McGhee, Koprulu said that such an arrangement would be advantageous to Turkey. He thought it would be possible to draw up an agreement which would not have to be submitted to the Turkish National Assembly.

Comment: Since Turkey's entrance into NATO, it has shown a willingness to participate actively in Western defense plans, even at the risk of Soviet protests.

WESTERN EUROPE

8. East Berlin authorities reportedly fear fuel shortage will cause "political difficulties":

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The effect of the East German coal shortage on the fuel supply of the Soviet sector of Berlin has necessitated emergency action, [redacted]

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[redacted] Berlin government representatives have been sent to the coal mines by the Berlin Socialist Unity Party to "speed up" coal shipments to the city and the State Administration will be requested to supply the promised daily ration of fuel.

The party secretariat believes that continued shortages would cause unrest among the population and that "considerable political difficulties" would develop if Western propaganda organs exploit the shortage.

Comment: The increasing requirements of the rearmament program have aggravated the fuel shortage in East Germany. The burden of the coal shortage will probably be shifted to consumers outside Berlin so that the shortage will not be apparent to Western observers.

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9. British officials plead for renewed efforts toward current NATO objectives:

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British NATO representative Eric Roll has made a strong plea for genuine efforts to improve NATO members' 1953 defense programs. He stressed the bad effects which a poor 1952 Annual Review report would have on the American aid program.

Another British NATO representative recently stated that, since the introduction of new type weapons will not permit the reduction of conventional NATO forces until after 1956, the 1953 Annual Review can be undertaken without waiting for a revision of the current NATO military requirements.

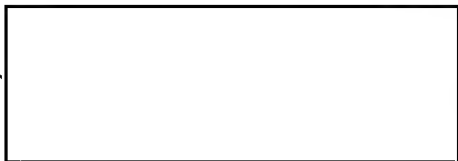
Comment: Lord Ismay's paper last fall commenting on the desirability of smaller forces equipped with new type weapons and Prime Minister Churchill's loosely interpreted statements that the threat of war has receded have led some NATO members to believe that Britain favored a reduction in the 1953 NATO build-up.

Churchill's statement on 9 February that Western rearmament is the principal deterrent to Soviet aggression and these statements by British NATO officials probably reflect the British Government's desire to reaffirm in the appropriate quarters its support for current NATO objectives.

LATIN AMERICA

10. Uruguay may ask United States support against Argentina:

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The Uruguayan Ambassador to the United States has been instructed to seek an interview with Secretary Dulles shortly, apparently

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to gauge the extent to which Uruguay could count on United States backing if it took countermeasures against Argentine economic pressures. Uruguay is considering an appeal to the Organization of American States, withdrawal of its ambassador from Buenos Aires, and complete suspension of diplomatic relations.

The Uruguayan Government apparently feels compelled by domestic public opinion to take some action, but fears that any negotiated settlement would subsequently be disregarded by Argentina.

Comment: Uruguayan-Argentine relations have been strained since Uruguay expelled two Argentine labor attaches last September. Uruguay has been consistently unwilling to conciliate the Argentines by restricting the activities of Argentine emigres or controlling the anti-Peron press in Montevideo.